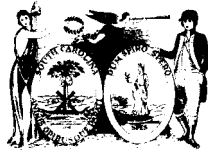


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

March 27, 2002

Mr. John Twitty, Controller
Health Management Resources
101 Grace Drive
Easley, South Carolina 29640-9088

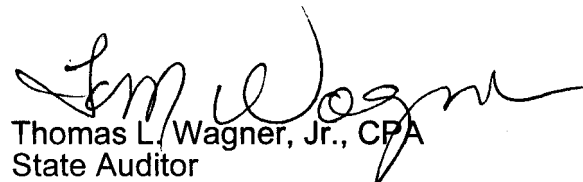
Re: AC# 3-CAR-J9 – Carriage Hills Plantation and Rehabilitation Center, Inc.

Dear Mr. Twitty:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

**CARRIAGE HILLS PLANTATION
AND REHABILITATION CENTER, INC.**

NEW ELLENTON, SOUTH CAROLINA

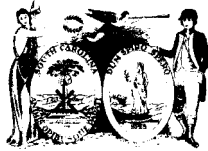
**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2000
AC# 3-CAR-J9**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 10, 2001

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Carriage Hills Plantation and Rehabilitation Center, Inc., for the contract period beginning October 1, 2000, and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

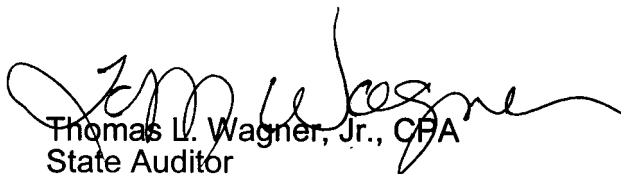
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Carriage Hills Plantation and Rehabilitation Center, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Carriage Hills Plantation and Rehabilitation Center, Inc. dated as of July 8, 1998 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
May 10, 2001

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

CARRIAGE HILLS PLANTATION AND REHABILITATION CENTER, INC.

Computation of Rate Change
For the Contract Period
Beginning October 1, 2000
AC# 3-CAR-J9

Interim reimbursement rate (1)	\$108.25
Adjusted reimbursement rate	<u>108.24</u>
Decrease in reimbursement rate	\$ <u>.01</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

CARRIAGE HILLS PLANTATION AND REHABILITATION CENTER, INC.

Computation of Adjusted Reimbursement Rate
For the Contract Period Beginning October 1, 2000
AC# 3-CAR-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$51.64	\$48.53	
Dietary		10.96	11.39	
Laundry/Housekeeping/Maint.		<u>9.89</u>	<u>8.99</u>	
Subtotal	\$ <u>-</u>	72.49	68.91	68.91
Administration & Med. Records	\$ <u>-</u>	<u>14.06</u>	<u>13.45</u>	<u>13.45</u>
Subtotal		86.55	<u>\$82.36</u>	82.36
<u>Costs Not Subject to Standards:</u>				
Utilities		3.68		3.68
Special Services		.34		.34
Medical Supplies & Oxygen		3.74		3.74
Taxes and Insurance		2.93		2.93
Legal Fees		<u>.05</u>		<u>.05</u>
TOTAL		<u>\$97.29</u>		93.10
Inflation Factor (3.20%)				2.98
Cost of Capital				9.08
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Nurse Aide Staffing Add-On 10/1/2000				1.66
Nurse Aide Staffing Add-On 10/1/1999				<u>1.42</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$108.24</u>

CARRIAGE HILLS PLANTATION AND REHABILITATION CENTER, INC.

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-CAR-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$1,032,753	\$ -	\$ 1,258 (4)	\$1,031,495
Dietary	218,987	-	-	218,987
Laundry	32,900	-	-	32,900
Housekeeping	111,392	-	-	111,392
Maintenance	53,250	-	-	53,250
Administration & Medical Records	280,786	-	-	280,786
Utilities	80,590	-	7,167 (2)	73,423
Special Services	6,879	-	-	6,879
Medical Supplies & Oxygen	81,311	-	2,574 (1) 4,056 (4)	74,681
Taxes and Insurance	30,402	28,189 (3)	-	58,591
Legal Fees	905	-	-	905
Cost of Capital	196,543	13,379 (6)	4,929 (5) 89 (7) <u>23,479 (8)</u>	181,425
Subtotal	2,126,698	41,568	43,552	2,124,714
Ancillary	137,893	-	-	137,893

CARRIAGE HILLS PLANTATION AND REHABILITATION CENTER, INC.

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-CAR-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Non-Allowable	617,437	2,574 (1)	28,189 (3)	614,492
		7,167 (2)	13,379 (6)	
		5,314 (4)		
		89 (7)		
	<u> </u>	<u>23,479</u> (8)	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$2,882,028</u>	<u>\$80,191</u>	<u>\$85,120</u>	<u>\$2,877,099</u>
Total Patient Days	<u>19,973</u>	<u>-</u>	<u>-</u>	<u>19,973</u>
Total Beds	<u>57</u>			

CARRIAGE HILLS PLANTATION AND REHABILITATION CENTER, INC.

Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-CAR-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Medical Supplies	\$ 2,574	\$ 2,574
	To remove expense recorded twice State Plan, Attachment 4.19D		
2	Nonallowable Utilities	7,167	7,167
	To reclassify expense to the proper cost center State Plan, Attachment 4.19D		
3	Taxes and Insurance Nonallowable	28,189	28,189
	To adjust property tax expense State Plan, Attachment 4.19D		
4	Nonallowable Medical Supplies Nursing	5,314	4,056 1,258
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
5	Accumulated Depreciation Other Equity Cost of Capital Fixed Assets	1,339 61,830	4,929 58,240
	To adjust fixed assets and related depreciation State Plan, Attachment 4.19D		
6	Cost of Capital Nonallowable	13,379	13,379
	To adjust depreciation and amortization expense to comply with cost of capital policy State Plan, Attachment 4.19D		

CARRIAGE HILLS PLANTATION AND REHABILITATION CENTER, INC.

Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-CAR-J9

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
7	Nonallowable Cost of Capital	89	89
	To adjust capital return State Plan, Attachment 4.19D		
8	Nonallowable Cost of Capital	23,479	23,479
	To properly state loan cost amortization expense for reimbursement purposes State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$143,360</u>	<u>\$143,360</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

CARRIAGE HILLS PLANTATION AND REHABILITATION CENTER, INC.

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-CAR-J9

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3156</u>
Deemed Asset Value (Per Bed)	36,165
Number of Beds	<u>57</u>
Deemed Asset Value	2,061,405
Improvements Since 1981	-
Accumulated Depreciation at 09/30/99	<u>(72,813)</u>
Deemed Depreciated Value	1,988,592
Market Rate of Return	<u>.060</u>
Total Annual Return	119,316
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	119,316
Depreciation Expense	58,126
Amortization Expense	4,325
Capital Related Income Offsets	(342)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	181,425
Total Patient Days (Minimum 96% Occupancy)	<u>19,973</u>
Cost of Capital Per Diem	\$ <u><u>9.08</u></u>

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